



**DEPARTMENT OF
FINANCE**
OFFICE OF THE DIRECTOR

GAVIN NEWSOM - GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

March 25, 2019

Mr. Troy Grunklee, Finance Manager
City of La Puente
15900 East Main Street
La Puente, CA 91744

Dear Mr. Grunklee:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of La Puente Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 25, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 15 through 21 – City loans in the total outstanding obligation amount of \$11,247,504 are not enforceable obligations of the Agency. The Agency did not request funding for the loans summarized in the table below; however, these items were previously reviewed during the Last and Final ROPS process and determined to be unenforceable under dissolution law.

Item No.	Item Name/Project Name	Total Outstanding
15	Loans or money borrowed by Agency	\$2,488,310
16	Loans or money borrowed by Agency	\$5,299,401
17	Loans or money borrowed by Agency	\$655,520
18	Loans or money borrowed by Agency	\$1,202,433
19	Loans or money borrowed by Agency	\$651,250
20	Loans or money borrowed by Agency	\$704,600
21	Loans or money borrowed by Agency	\$245,990

Pursuant to HSC section 34191.4 (b), loan agreements between the former RDA and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's Oversight Board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on April 26, 2013 and the Agency's OB made a finding the loans are for legitimate redevelopment purposes via OB Resolution 13-12. On September 6, 2013, Finance issued OB Resolution No. 13-12 determination letter stating that although the OB Action is approved based on the findings made, the enforceability of loan agreements will be considered once repayment requests are placed on a ROPS.

HSC 34191.4 (b) (2) (A) defines sponsoring entity loan agreements as loans for money entered into between the former RDA and the sponsoring entity (i.e., a city or county that created the former RDA) under which the sponsoring entity transferred money to the RDA for use by the RDA for a lawful purpose, and where the RDA was obligated to pay the money it received pursuant to a required repayment schedule. Finance maintains the position the loans are not eligible for repayment under dissolution law.

In looking at the loan agreements, repayment is not required until all other debts or obligations of the Agency have been satisfied, and only if surplus monies are available to the Agency. These terms do not meet the requirement of a "required repayment schedule" as intended by dissolution law.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the OB has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in Redevelopment Property Tax Trust Fund (RPTTF) are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor Controller's review of the prior period adjustment form submitted by the Agency.

If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available on our website:

[http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$699,371 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

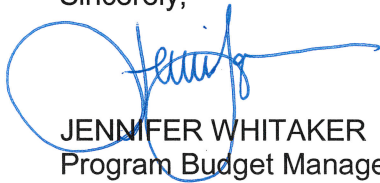
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Elizabeth Herrera, Accounting Technician, City of La Puente
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 497,887	\$ 71,510	\$ 569,397
Administrative RPTTF Requested	65,092	65,092	130,184
Total RPTTF Requested	562,979	136,602	699,581
RPTTF Authorized	497,887	71,510	569,397
Administrative RPTTF Authorized	65,092	65,092	130,184
Total RPTTF Authorized for Obligations	562,979	136,602	699,581
Prior Period Adjustment	(210)	0	(210)
Total RPTTF Approved for Distribution	\$ 562,769	\$ 136,602	\$ 699,371